

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 DODE-00 PM-04 H-02 L-03 PA-02 PRS-01 /103 W

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R 130835Z JAN 76

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 9706

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E.O. 11652: N/A

TAGS: EFIN, IS

SUBJECT: CABINET APPROVES SUPPLEMENTARY BUDGET

REFS: (A) 75 TEL AVIV 7925; (B) 75 TEL AVIV 2696;
(C) TEL AVIV A-146 OF 8/12/75 AND PREVIOUS

1. CABINET APPROVED JAN 11 SUPPLEMENTARY BUDGET OF
ISRAELI POUNDS (IL) 9,295 MILLION FOR PRESENT FISCAL
YEAR (ENDING MARCH 31). PRESS REPORTS FOLLOWING
ESTIMATE OF MAJOR ITEMS:

REVENUE	MILLIONS OF IL
FROM FOREIGN CURRENCY	3,600
BANK OF ISRAEL PROFITS	850
NATIONAL INSURANCE	440
DEPT SERVICE	100
DEFICIT FINANCING	4,300

TOTAL 9,290&

EXPENDITURES

EXPENSES RESULTING FROM 2,500

DEVALUATIONS

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SUBSIDIES TO THE BASIC 800

COMMODITIES

NATIONAL INSURANCE -	788
CHILDREN'S ALLOWANCES	
ADMINISTERED AREAS	110
EMERGENCY	60
DEFENSE	1,625
OTHER MINISTRIES	1,565
MUNICIPALITIES	165
EXPORT INCENTIVES	256
RESERVES	250
INTERNAL DEBT	1,150
TOTAL	9,269

2. INCREASED REVENUES OF IL 3,600 MILLION FROM FOREIGN CURRENCIES ARE RESULT OF DEVALUATIONS THROUGHOUT THE YEAR (IL 2,430 MILLION) AND ALSO INCREASED DRAOAJ'S US ASSISTANCE PLUS IMF OIL FUND (IL 1,170 MILLION). ON EXPENDITURE SIDE, EXPENSES RESULTING FROM DEVALUATIONS APPROXIMATED AS FOLLOWS:

MILLIONS OF IL	
FOR DEFENSE	1,700
ADDITIONAL DEBT REPAYMENT	347
INCREASED COSTS OF TRADE	400
ADDITIONAL FOR VARIOUS MINISTRIES	55

3. FINANCE MINISTRY DIRECTOR GENERAL GAFNI QUOTED AS SAYING THAT ONLY IL 3,500 MILLION REPRESENTED ADDITIONAL EXPENDITURES BECAUSE REMAINING IL 5,800 MILLION WERE TO COVER INCREASED DEBT PAYMENTS AND HIGHER PRICES RESULTING FROM DEVALUATION. MOST OF ADDITIONAL EXPENDITURE WAS FOR DEFENSE.

4. COMMENT: ALMOST HALF OF SUPPLEMENTARY BUDGET, IL 4,300 MILLION, IS FOR DEFICIT FINANCING. SINCE ORIGINAL BUDGET CONTAINED IL 1,500 MILLION IN DEFICIT FINANCING, REVISED TOTAL DEFICIT FINANCING IS IL 5,800 MILLION 8.85 PERCENT OF REVISED TOTAL 75/76 BUDGET OF IL 65,500 MILLION. SUPPLEMENTARY BUDGET WILL BE PRESENTED TO UNCLASSIFIED

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KNESSET WITHIN TEN DAYS AND IS EXPECTED TO BE APPROVED WITHOUT SIGNIFICANT CHANGES.
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